

104TH CONGRESS
2D SESSION

S. 1549

To improve regulation of the purchase and sale of municipal securities,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 1, 1996

Mr. BROWN introduced the following bill; which was read twice and referred
to the Committee on Banking, Housing, and Urban Affairs

A BILL

To improve regulation of the purchase and sale of municipal
securities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Municipal Securities
5 Investor Protection Act of 1996”.

6 **SEC. 2. TREATMENT OF MUNICIPAL SECURITIES IN THE SE-**
7 **CURITIES ACT OF 1933.**

8 Section 3 of the Securities Act of 1933 (15 U.S.C.
9 77c) is amended by adding at the end the following new
10 subsection:

1 “(d)(1) Notwithstanding subsection (a)(2), a security
 2 issued by a municipal issuer shall only be exempt from
 3 the provisions of this title—

4 “(A) if the municipal issuer pledges the full
 5 faith and credit or the taxing power of that municipi-
 6 pal issuer to make timely payments of principal and
 7 interest on the obligation; or

8 “(B) if the municipal issuer—

9 “(i) offers or sells such securities in a sin-
 10 gle transaction in an aggregate principal
 11 amount equal to less than \$1,000,000,000; or

12 “(ii) offers or sells such securities in a se-
 13 ries of related transactions, and at the time of
 14 the offer or sale of such securities, does not rea-
 15 sonably anticipate that the aggregate principal
 16 amount of the series of related transactions will
 17 exceed \$1,000,000,000.

18 “(2) For purposes of this subsection—

19 “(A) the term ‘municipal issuer’ means—

20 “(i) a State, the District of Columbia, or
 21 a Territory of the United States; or

22 “(ii) a public instrumentality or political
 23 subdivision of an entity referred to in clause (i);

1 “(B) the term ‘series of related transactions’
 2 means a series of separate securities offerings
 3 made—

4 “(i) as part of a single plan of financing;
 5 or

6 “(ii) for the same general purpose; and

7 “(C) the term ‘reasonably anticipate’ shall have
 8 the meaning provided that term by the Commission
 9 by regulation, taking into consideration, as necessary
 10 or appropriate—

11 “(i) the public interest;

12 “(ii) the protection of investors; and

13 “(iii) the need to prevent the circumven-
 14 tion of the requirements of this subsection.”.

15 **SEC. 3. TREATMENT OF MUNICIPAL SECURITIES IN THE SE-**
 16 **CURITIES EXCHANGE ACT OF 1934.**

17 (a) IN GENERAL.—Section 3(a)(12) of the Securities
 18 Exchange Act of 1934 (15 U.S.C. 78c(a)(12)) is amend-
 19 ed—

20 (1) in subparagraph (A), by striking clause (ii)
 21 and inserting the following:

22 “(ii) any security issued by a municipal issuer
 23 with respect to which the municipal issuer—

24 “(I) pledges the full faith and credit or the
 25 taxing power of that municipal issuer to make

1 timely payments of principal and interest on the
2 obligation; or

3 “(II)(aa) offers or sells such securities in a
4 single transaction in an aggregate principal
5 amount equal to less than \$1,000,000,000; or

6 “(bb) offers or sells such securities in a se-
7 ries of related transactions, and at the time of
8 the offer or sale of such securities, does not rea-
9 sonably anticipate that the aggregate principal
10 amount of the series of related transactions will
11 exceed \$1,000,000,000;”;

12 (2) in subparagraph (B)(ii), by striking “mu-
13 nicipal securities” and inserting “the securities de-
14 scribed in subparagraph (A)(ii)”;

15 (3) by redesignating subparagraph (C) as sub-
16 paragraph (D); and

17 (4) by inserting after subparagraph (B) the fol-
18 lowing:

19 “(C) For purposes of subparagraph (A)(ii)—

20 “(i) the term ‘municipal issuer’ means—

21 “(I) a State or any political subdivision
22 thereof, or an agency or instrumentality of a
23 State or any political subdivision thereof; or

24 “(II) any municipal corporate instrumen-
25 tality of a State;

1 “(ii) the term ‘series of related transactions’
 2 means a series of separate securities offerings
 3 made—

4 “(I) as part of a single plan of financing;
 5 or

6 “(II) for the same general purpose; and

7 “(iii) the term ‘reasonably anticipate’ shall have
 8 the meaning provided that term by the Commission
 9 by regulation, taking into consideration, as necessary
 10 or appropriate—

11 “(I) the public interest;

12 “(II) the protection of investors; and

13 “(III) the need to prevent the circumven-
 14 tion of the requirements of subparagraph
 15 (A)(ii).”.

16 (b) TREATMENT OF MUNICIPAL SECURITIES THAT
 17 ARE NOT EXEMPTED SECURITIES.—The third sentence
 18 of section 15(d) of the Securities Exchange Act of 1934
 19 (15 U.S.C. 78o(d)) is amended by inserting before the pe-
 20 riod the following: “, except that, with respect to a class
 21 of municipal securities that are not exempted securities,
 22 the duty to file under this subsection may not be sus-
 23 pended by reason of the number of security holders of
 24 record of that class of municipal securities”.

1 (c) REPORTING PRIOR TO THE SALE OF SECURI-
 2 TIES.—Section 15B(d)(1) of the Securities Exchange Act
 3 of 1934 (15 U.S.C. 78o–4(d)(1)) is amended—

4 (1) by striking “(d)(1) Neither” and inserting
 5 “(d)(1)(A) Except as provided in subparagraph (B),
 6 neither”; and

7 (2) by adding at the end the following new sub-
 8 paragraph:

9 “(B) Subparagraph (A) does not apply to an issuer
 10 of any municipal security that is not an exempted secu-
 11 rity.”.

12 **SEC. 4. TREATMENT OF CERTAIN MUNICIPAL SECURITIES**
 13 **IN THE TRUST INDENTURE ACT OF 1939.**

14 Section 304(a)(4) of the Trust Indenture Act of 1939
 15 (15 U.S.C. 77ddd(a)(4)) is amended by striking “of sub-
 16 section 3(a) thereof” and inserting “of subsection (a), or
 17 subsection (d) of section 3 of that Act”.

○